



## **FISCAL YEAR 2005 BUDGET RESOLUTION**

The conference agreement on the 2005 budget resolution represents the commitment of Congressional leaders to the importance of enacting a budget resolution to guide Congress' fiscal decisions for the coming year.

The agreement reflects the budgetary impact of policies expected to be considered by Congress in the budget year (2005). The agreement takes the first steps toward reducing federal budget deficits that have reached unacceptable levels by slowing the growth of spending, preventing economically damaging tax increases, and continuing vital budget enforcement mechanisms.

### **BUDGET PROCESS / ENFORCEMENT**

- ▶ Pay-as-you-go point of order in the Senate, sunset on April 15, 2005, with an exemption for the \$27.5 billion reconciliation bill authorized in this budget resolution.
- ▶ Discretionary spending limits in the Senate for 2005 only
- ▶ Restrictions on advance appropriations & emergency spending designations

### **REVENUES**

- ▶ Assumes a one-year extension of current-law family tax relief that expires at the end of 2004 including the \$1000 per child tax credit, marriage penalty relief, and expansion of the 10% income tax bracket (\$27 billion).
- ▶ Assumes a one-year extension of AMT relief that expires at the end of 2004 (\$23.2 billion).

### **RECONCILIATION**

- ▶ Provides for a \$27.5 billion tax reconciliation bill (\$22.9 billion in revenues and \$4.6 billion in outlays), which includes the total cost associated with a one-year extension of current-law family tax relief and AMT hold-harmless relief for nonrefundable personal credits.
- ▶ Provides for a debt limit reconciliation bill to increase the limit for one year.

## DISCRETIONARY SPENDING

- ▶ Fully funds President's defense & homeland security request for 2005
- ▶ Provides \$50 billion for overseas contingency operations in Iraq & Afghanistan
- ▶ Freezes most discretionary spending programs at 2004 levels, but could accommodate increases for certain priority programs, including:
  - \$3 billion increase for education over 2004
  - \$1.2 billion increase for veterans over President's budget
  - \$560 million increase for NASA & science over 2004
  - 9 percent increase for international affairs over 2004
- ▶ For 2006-2009, no specific policy is assumed. All discretionary accounts receive baseline inflation adjustments.

<u>Budget Authority in Billions</u>	<u>2004</u>	<u>Conference*</u>	<u>Growth</u>
Defense	394.0	420.8	6.8%
Homeland	27.1	31.2	15.2%
Nondefense-nonhomeland	367.2	369.4	0.6%
SUBTOTAL	788.2	821.4	4.2%
Overseas contingencies	87.3	50.0	
GRAND TOTAL	875.5	871.4	-0.4%

\* Assumes potential adjustments for appropriate discretionary levels and Bioshield. Total discretionary BA for the purposes of the Senate spending cap is \$814 billion.

## MANDATORY SPENDING

- ▶ Assumes several minor mandatory spending increases and decreases which could be considered in 2005. However, any net mandatory spending increase would be subject to pay-as-you-go enforcement in the Senate.

## RESERVE FUNDS / CAP ADJUSTMENTS

- ▶ Provides deficit-neutral reserve funds for legislation dealing with the uninsured, military survivors benefit, Family Opportunity Act, higher education, Montgomery GI Bill benefits, and postal service reform.
- ▶ Provides discretionary spending cap adjustments for appropriate levels, Bioshield, and wildland fire suppression.
- ▶ Provides a mechanism to adjust committee allocations and the spending cap for a conference agreement on highways and transit.
- ▶ Provides for adjustments to reflect changes in concepts and definitions